

<b>Finance and Administration Cabinet STANDARD PROCEDURE</b>	<b>Page 1 of 5</b>
ISSUED BY: <b>Department of Revenue – Tax Administration</b>	
EFFECTIVE DATE:	
PROCEDURE: <b>6.11.xx (formerly KRC 11.14)</b>	
SUBJECT: <b>Proper Destruction of Historical Corporate Taxpayer Returns &amp; Accompanying Documents</b>	
Distribution Code(s): <b>A, B, E</b>	Contact: <b>Division of Corporation Tax (502) 564-8139 Station #52</b>

## I. INTRODUCTION

The Department of Revenue shall comply with the record retention requirements established by KRS 131.185 while minimizing the storage space required to maintain corporation income and license tax returns and the primary accounting records of tax payments.

This Standard Procedure provides specific instructions required for the destruction of corporation income and license tax returns from historical files.

## II. DEFINITIONS

### ***Corporate Returns:***

Form 720, 720-S, or 720L, as well as any schedule containing information supporting the amounts reported on any referenced form, submitted by the corporation.

### ***Open Return:***

A corporate return filed six (6) years or less from the current taxable year.

### ***Closed Return:***

A corporate return filed more than six (6) years prior to the current taxable year.

### ***Current Taxable Year:***

The most recent taxable year for which a corporate return is due. For example, on January 5, 2007 a Department of Revenue employee is reviewing a corporation's calendar year historical file. The current taxpayer year is 2005 (Due April 15, 2006)

### ***Destroy:***

Placing the corporate return and related materials in a box, marking the box "DESTROY", and sending the box to the Department of Revenue's Division of Operations, Central Files Section.

### ***Related Materials:***

Any information not submitted by the corporation, but which is collected and used by the Department of Revenue while reviewing the historical file.

<b>Finance and Administration Cabinet STANDARD PROCEDURE</b>	<b>Page 2 of 5</b>
ISSUED BY: <b>Department of Revenue -</b>	
EFFECTIVE DATE:	
PROCEDURE # <b>6.11.xx (formerly KRC 11.14)</b>	
SUBJECT: <b>Proper Destruction of Historical Corporate Taxpayer Returns &amp; Accompanying Documents</b>	

***Retainable Portion:***

The following return sections and/or schedules:

- Form 720, pages one (1) and two (2) or representative schedules
- Form 720, Schedule A or representative schedules
- Form 722
- For taxable years 1996 and after, Federal form 1120, pages one (1) and four (4).
- Any audit report attached to the face of a corporate return.
- All forms and information related to Economic Development Programs, including the following forms, as well as any correspondence from the Department of Revenue to the taxpayer concerning any approvals to deviate from statutory methods:
  - FRED A (SP) (T)
  - KIDA (SP) (T)
  - KJDA (SP) (T)
  - KIRA (SP) (T)
  - TCS
  - Schedule K (S corporations)

***Taxable Year:***

The year shown on the designated return as filed, whether a fiscal or calendar year. For example, a taxpayer year of 2007 will include returns filed for taxpayer years ending December 31, 2007 through December 30, 2008.

**III. PROCEDURE**

Each Taxpayer Service Specialist, Revenue Examiner, Revenue Auditor, Revenue Field Auditor, Revenue Selection and Review Officer, and any supervisor of these classes of employees, who has possession of a corporation's historical file, is responsible for destroying closed returns and related material before transferring physical possession of the historical file to another Department of Revenue employee, or returning the historical file to the Department of Revenue's Division of Operations, Central Files Section.

Returns and related materials to be retained and exempted from the destruction processed must be marked by attaching a "DO NOT DESTROY" cover sheet (Libraries and Archives Form PRD-50) to the face of the return or materials. All information on the "DO NOT

<b>Finance and Administration Cabinet STANDARD PROCEDURE</b>	<b>Page 3 of 5</b>
ISSUED BY: <b>Department of Revenue -</b>	
EFFECTIVE DATE:	
PROCEDURE # <b>6.11.xx (formerly KRC 11.14)</b>	
SUBJECT: <b>Proper Destruction of Historical Corporate Taxpayer Returns &amp; Accompanying Documents</b>	

DESTROY" cover sheet must be completed to assure the timely destruction of this material in the future, when it is no longer needed.

The following guidelines will be used for destroying appropriate returns and materials:

***Closed Returns:***

Remove and destroy all corporate returns and related materials for closed returns, except for the following:

- Years which have an outstanding corporation income or license tax assessment or refund pending as verified by one or all of the following systems:
  - Compliance and Receivable System (CARS)
  - Protest Resolution Program (PRP)
  - Field Audit Tracking System
  - Corporate Coding program
  - FastRetrieve
- Years specifically marked "DO NOT DESTROY"
- The retainable portion of each return for tax years 1990 and after.

***Open Returns:***

- Retain all returns and related materials.
- Retain the portion of the envelope bearing the return address and postmark for those envelopes bearing a postmark different from the date the return is signed or those returns that contain undated signature blocks.
- Remove and destroy all commercial mailing envelopes (United Parcel Service, Federal Express, etc.) used by the corporation to send information other than a return to the Department of Revenue.

***Field Audit Folders, Correspondence, Etc.:***

- All completed corporate income tax field audit folders are to be purged by the Division of Protest Resolution only.
- All duplicate copies of returns and related materials, correspondence, memos, etc., should be destroyed regardless of the year the duplicate material applies to.

<b>Finance and Administration Cabinet STANDARD PROCEDURE</b>	<b>Page 4 of 5</b>
ISSUED BY: <b>Department of Revenue -</b>	
EFFECTIVE DATE:	
PROCEDURE # <b>6.11.xx (formerly KRC 11.14)</b>	
SUBJECT: <b>Proper Destruction of Historical Corporate Taxpayer Returns &amp; Accompanying Documents</b>	

NOTE: Two (2) returns for the same year with different validating numbers are not duplicate returns.

#### **IV. REFERENCES**

Libraries and Archives Form PRD-50 – DO NOT DESTROY Cover Sheet

#### **V. DISCIPLINARY ACTION**

Failure to follow the procedures set forth in the procedure may result in disciplinary action, including reprimand, suspension, or dismissal.

---

**NO STANDARD PROCEDURE MAY BE REVISED BY ADDENDUM, MEMORANDUM OR ANY OTHER MEANS OTHER THAN THOSE SET OUT IN STANDARD PROCEDURE #1.1 ENTITLED "CREATION, REVISION AND RESCISSION OF FINANCE AND ADMINISTRATION CABINET POLICIES AND PROCEDURES"**

---

**DISTRIBUTION CODES:**

**A. Senior Management   B. Division Directors   C. Branch Managers/Supervisors  
D. Department Personnel   E. Division Personnel   F. Branch Personnel**

---

<b>Finance and Administration Cabinet STANDARD PROCEDURE</b>	<b>Page 5 of 5</b>
ISSUED BY: <b>Department of Revenue -</b>	
EFFECTIVE DATE:	
PROCEDURE # <b>6.11.xx</b> ( <i>formerly KRC 11.14</i> )	
SUBJECT: <b>Proper Destruction of Historical Corporate Taxpayer Returns &amp; Accompanying Documents</b>	